

CITY STORES COMPANY
and
Subsidiary Companies



*Annual Report
To Stockholders*

For the period from
February 1, 1935 to
January 31, 1936

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CITY STORES COMPANY



DIRECTORS

SAUL COHN	Newark, N. J.
WILLIAM D. GORDON	Philadelphia, Pa.
ALBERT M. GREENFIELD	Philadelphia, Pa.
WALTER T. GROSSCUP	Philadelphia, Pa.
GEORGE H. JOHNSON	Philadelphia, Pa.
JOSEPH H. LOVEMAN	Birmingham, Ala.
ERNEST W. NIVER	New York, N. Y.
PAUL H. SAUNDERS	New Orleans, La.
HERBERT J. SCHWARTZ	New Orleans, La.
HARRY G. SUNDHEIM	Philadelphia, Pa.

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
PAUL H. SAUNDERS	<i>President</i>
SAUL COHN	<i>Executive Vice President</i>
WILLIAM D. GORDON	<i>Vice President and Treasurer</i>
LOUIS N. BATOFF	<i>Secretary</i>
LENARD B. KEIFFER	<i>Asst. Secretary and Asst. Treasurer</i>

TRANSFER AGENT CENTRAL HANOVER BK. & TRUST CO.
70 Broadway, New York, N. Y.

REGISTRAR AGENT CHASE NATIONAL BANK
11 Broad Street, New York, N. Y.

AUDITORS ERNST & ERNST
19 Rector St., New York, N. Y.

Annual Report of
CITY STORES COMPANY
and Subsidiary Companies
January 31, 1936

To the Stockholders of

April 29, 1936.

CITY STORES COMPANY:

THERE is submitted herewith the annual report of your Company for the fiscal year ended January 31, 1936, together with report of Messrs. Ernst & Ernst, independent auditors. The report includes:

1. Balance Sheet of City Stores Company (Parent Company) as of January 31, 1936 (Exhibit 1).
2. Consolidated balance sheet of City Stores Company and its subsidiary companies as of January 31, 1936 (Exhibit 2).
3. Comparative consolidated income and expense statement of City Stores Company and subsidiaries for the three fiscal years ended January 31, 1934, January 31, 1935 and January 31, 1936 (Exhibit 3).
4. Analysis of consolidated earned surplus and of consolidated capital surplus of City Stores Company and its subsidiaries for the fiscal year ended January 31, 1936 (Exhibits 4 and 5).
5. Separate balance sheets of each subsidiary company as of January 31, 1936 (Exhibits 6 to 14 inclusive).

COMPLETION OF REORGANIZATION

During the year the necessary steps were taken to complete the Plan of Reorganization which had been submitted to and approved by stockholders, noteholders and the United States District Court for the District of Delaware. After filing the necessary final report, indicating that all expenses had been paid and all matters necessary to consummate the Plan had been carried out, the said Court on January 31, 1936 entered an order closing the case.

In connection with the Reorganization Plan you were advised that the new stock issued under the Plan would be available for exchange on and after April 16, 1935. To assist holders of scrip certificates to either dispose of their scrip, or purchase additional scrip in order to have a full share Common Stock certificate issued, arrangements have been made by the Company whereby the holders of such scrip certificates may, up to the close of business the first day of July, 1936, sell their Common Stock Scrip Certificates or purchase additional Common Stock Scrip Certificates based on the par value of \$5.00 a share for the new Common Stock. To those stockholders who have not yet made the exchange, we call attention to their right to send their stock and/or voting trust certificates to the Central Hanover Bank and Trust Company, 70 Broadway, New York City, for exchange under the Plan of Reorganization, together with transmittal letter. The new stock is the only stock listed on the New York Stock Exchange.

BALANCE SHEETS

The financial condition of the consolidated companies and of the individual companies is reflected by the accompanying balance sheets at January 31, 1936. Provisions have been made in these balance sheets for reserves on the same basis as in the previous year. Physical inventories of merchandise on hand at January 31, 1936 were taken under the supervision of our auditors, Messrs. Ernst & Ernst, who also made extensive checks of the quantities in each store. The inventories shown in the accompanying balance sheets, have been valued by the local store managements at retail, less accumulated departmental markup with such reserves as were necessary to reduce the book value on merchandise purchased in prior seasons to estimated present replacement cost and value.

Net current assets of City Stores Company and subsidiaries on January 31, 1936 amounted to \$9,435,569.68 compared with \$7,922,097.41 at the close of the preceding year. As a result of the Plan of Reorganization there was a reduction in the funded debt from \$10,000,000.00 to \$6,500,000.00 with a consequent reduction in the fixed charges.

During the past fiscal year, in addition to the number of shares issued under the plan of reorganization, the company issued out of the balance of the shares retained for corporate purposes, 31,236-6/12 shares in payment of interest and charges on that part of the old funded debt which was retired under the plan of reorganization, and 30,000 shares for cash at \$5 per share.

At January 31, 1936 there were outstanding 1,210,042-4/12 shares of common stock. There are no capital shares outstanding having priority over these common shares.

INCOME ACCOUNT

As shown by the annexed consolidated statement of income and expenses, net earnings of City Stores Company and subsidiaries for the fiscal year ended January 31, 1936, after deducting all charges including depreciation, interest, income taxes and interest on \$6,500,000.00 of funded debt of parent company, amounted to \$303,337.23 (see Exhibit 3 for analysis of this year's operation with comparisons of fiscal years ended January 31, 1935 and January 31, 1934). These earnings compare with a net loss of \$524,328.57 for the preceding fiscal year, in which, however, was included interest and charges on the funded debt then outstanding.

On April 15, 1935, \$4,805,628.88 of the funded debt and related obligations was liquidated in connection with the Plan of Reorganization, payment being made in common stock of the Company at \$5.00 per share. Interest on this item of \$4,805,628.88 from February 1, 1935 to April 15, 1935, amounting to \$60,070.36, was paid at that time and charged to capital surplus arising from reorganization. The earnings for the fiscal year ended January 31, 1936 reported above are after deducting therefrom one full year's interest on the funded debt outstanding after the reorganization was completed.

Early in the past fiscal year the Directors deemed it to be in the best interests of the Company to liquidate its subsidiary, Goerke-Kirch Company, and at that time appropriated the sum of \$198,730.62 from capital surplus arising from reorganization to reduce the investment in that subsidiary to the nominal sum of \$1.00. The loss of this subsidiary, which is in process of liquidation, for the past fiscal year amounted to \$96,785.99, is being applied against the reserve thus established, and is not included in the consolidated net earnings reported above.

The results of operations of the individual companies for the fiscal year ended January 31, 1936, after deducting all charges applicable thereto, including depreciation, interest, income taxes and interest for a full year on company's funded debt

outstanding after giving effect to Plan of Reorganization, are presented in the following table. For the reasons above stated, the operations of Goerke-Kirch Company are not included herein.

NET PROFIT OF SUBSIDIARY COMPANIES AFTER FEDERAL INCOME TAXES

Lit Brothers, Philadelphia, Pa., and Subsidiary Companies	\$429,520.73	
Maison Blanche Company, New Orleans, La., and one of its Subsidiary Companies—Homecraft Finance Corporation	280,773.36	
Maison Blanche Realty Company, New Orleans, La.	87,784.91	
Loveman, Joseph & Loeb, Birmingham, Ala., and its Subsidiary Company—Home Furnishing Finance Corporation	27,803.69	
B. Lowenstein & Bros. Inc., Memphis, Tenn., and its Subsidiary Company—Homecraft Finance Corporation of Memphis	28,086.18	
Kaufman-Straus Company, Inc., Louisville, Ky., and its Subsidiary Company—Homecraft Finance Corporation of Louisville	13,752.85	
Kenville Realty Company, Louisville, Ky.	—0—	\$867,721.72
Less: Amount applicable to preferred and common stocks of Subsidiary Companies not owned by City Stores Company	193,092.76	\$674,628.96

DEDUCT LOSSES OF FOLLOWING COMPANIES:

City Stores Company (Parent Company) New York City (after charging one full year's interest of \$390,000.00 on new funded debt)	143,685.46	
City Stores Mercantile Company, New York City	4,364.07	148,049.53
		526,579.43

DEDUCT

Eliminating inter-company dividends	223,242.20
Consolidated Net Profit Applicable to City Stores Company	\$303,337.23

The improvement in earnings as reflected by the annexed summary demonstrates the ability of your Company to operate soundly under the Plan approved by shareholders.

The new building of Loveman, Joseph & Loeb at Birmingham was completed and opened to the public on November 19, 1935. The building is ample in size and equipment and we believe is in keeping with the development and growth of this city. The public acceptance of the store has been very gratifying.

Total sales of the subsidiary companies increased 8.25% in volume over the previous year. These figures exclude the sales of Goerke-Kirch Company for both years.

The ability of the subsidiary companies to serve the public because of the improved physical condition of the buildings and equipment in each of the units and the well balanced assortments of merchandise should contribute to a continued rise in sales volume.

Respectfully submitted,

P. H. SAUNDERS,
President.

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE

NEW YORK
19 RECTOR STREET

April 4, 1936.

City Stores Company,
New York, N. Y.

We have made an examination of the consolidated balance sheet of CITY STORES COMPANY — NEW YORK CITY, and subsidiary companies and of the balance sheets of the individual companies as at January 31, 1936; we also made an examination of the consolidated and individual statements of income and surplus for the fiscal year then ended. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Receivables were reviewed with store managements and adequate reserves appear to have been provided for estimated shrinkage in collection. Inventories of merchandise were certified to us by store managements as to condition, salability and valuation, and have been valued not in excess of the lower of cost or market by the retail inventory method. We made test checks of quantities and generally reviewed the inventory procedure and application of the retail inventory method.

In our opinion, based upon our examination, the accompanying consolidated balance sheet of CITY STORES COMPANY and subsidiaries and the balance sheets of the individual companies, with the footnotes appended thereto, fairly present, respectively, the financial condition of the consolidated and individual companies at January 31, 1936. On the same basis it is our opinion that the accompanying statements of consolidated income, and earned and capital surplus fairly reflect, respectively, the results of operations and changes in surplus for the fiscal year then ended. Further, except that amount of merchandise in transit to one subsidiary company is shown in footnote instead of in inventory and accounts payable, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST.

CITY STORES COMPANY, NEW YORK CITY (Parent Company)

BALANCE SHEET

January 31, 1936

A S S E T S			
CASH		\$	20,911.77
ACCOUNTS AND NOTES RECEIVABLE:			
Subsidiary Company (Note A)	\$	65,513.78	
Others, including cash in closed bank (less reserve of \$7,576.11)		873.16	66,386.94
INVESTMENT IN SUBSIDIARY COMPANIES:			
City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935 (Note B):			
Unpledged		29,466.11	
Pledged as collateral to funded debt	\$13,685,597.63		
LESS: Reserve to reduce investment in Goerke-Kirch Company to the nominal sum of \$1.00	198,730.62	13,486,867.01	13,516,333.12
OTHER INVESTMENT:			
Capital stock of Scruggs-Vandervoort-Barney Dry Goods Co.—at cost, less reserve—(pledged as collateral to funded debt)—(market value \$113,893.25)			51,742.00
			<u>\$13,655,373.83</u>
L I A B I L I T I E S			
NOTE PAYABLE:			
(Secured by notes receivable from subsidiary company)		\$	65,000.00
ACCOUNTS PAYABLE:			
Subsidiary companies	\$	2,747.08	
For expenses		412.50	3,159.58
ACCRUED ACCOUNT:			
Interest on funded debt			130,000.00
FUNDED DEBT:			
Ten-year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944		3,500,000.00	
Ten-year 6% General Collateral Convertible Notes—due October 1, 1944		3,000,000.00	6,500,000.00
CAPITAL AND SURPLUS:			
CAPITAL STOCK:			
Class "A" stock 6% cumulative—par value \$5.00 per share—authorized and unissued 700,000 shares (all reserved for conversion of Ten-year 6% Lit Stock Collateral Convertible Notes)			
Common stock—par value \$5.00 per share:			
Authorized	1,900,000	shs.	
LESS: Reserved for conversion of Ten-Year 6% General Collateral Convertible Notes	600,000	shs.	
In treasury	587	"	
Unissued and available for general corporate purposes	89,957-8/12	"	690,544-8/12 "
Outstanding	1,209,455-4/12	"	6,047,276.66
CAPITAL SURPLUS	\$1,053,623.05		
PROFIT AND LOSS DEFICIT (since February 1, 1935)	143,685.46	909,937.59	6,957,214.25
			<u>\$13,655,373.83</u>

NOTE "A": Includes notes of Goerke-Kirch Company for \$65,000.00 which have been subordinated to claims of general creditors of that company.

NOTE "B": City Stores Company's proportion of net tangible assets of subsidiary companies, excluding Goerke-Kirch Company in liquidation, based on their balance sheets at January 31, 1936, amounted to \$13,880,055.94.

NOTE "C": At January 31, 1936 City Stores Company was guarantor of loans of subsidiary companies in the amount of \$105,000.00.

NOTE "D": The above Balance Sheet is subject to the pertinent footnotes appearing in the consolidated balance sheet of City Stores Company and subsidiaries as at January 31, 1936.

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

January

A S S E T S

CURRENT:

Cash	\$ 1,013,039.75	
Notes receivable—customers— <i>Less</i> : Reserve of \$700.00 (Note A)	120,929.72	
Accounts receivable—customers (including \$2,443,293.87 of installment accounts) <i>Less</i> : Reserve of \$258,072.46	6,561,877.36	
Accounts receivable from vendors and tenants; local and state warrants; <i>Less</i> : Reserve of \$9,500.00	96,613.80	
Accounts receivable—other	50,000.00	
Merchandise inventories (at retail less accumulated departmental mark-up and reserves as shown on subsidiary company balance sheets) (Note I)	4,701,527.70	
Marketable securities (not in excess of market)	49,046.09	\$12,593,034.42

GOERKE-KIRCH COMPANY (in liquidation—not consolidated):

Capital stock—entire issue—at nominal value	1.00	
Notes and accounts receivable—(Note B)	126,000.46	126,001.46

FUNDS SEGREGATED FOR NEW BUILDING AND FIXTURE OBLIGATIONS:

Cash on deposit	192,706.88	
Cash proceeds arising from fire loss of old building and held by mortgagee as replacement fund	340,923.09	
Cash to be received from mortgagee for increase in first mortgage	360,000.00	893,629.97

OTHER ASSETS:

Sundry investments— <i>Less</i> : Reserve of \$208,107.68 (\$51,742.00 pledged as collateral to funded debt)	237,819.48	
Sundry notes and accounts receivable, deposits, etc.— <i>Less</i> : Reserve of \$25,932.03—(Note A)	172,202.91	
Claims against closed banks— <i>Less</i> : Reserve of \$295,237.95	40,210.94	
Cash surrender value life insurance	28,076.44	
Stock of City Stores Company owned by subsidiaries (459 shares of common stock and scrip)	1,877.68	480,187.45

PERMANENT (Note C):

Land, buildings, fixtures and equipment.....	\$23,882,073.36	
<i>Less</i> : Reserve for depreciation	4,717,789.99	19,164,283.37
Improvements to leased properties	454,790.43	
<i>Less</i> : Reserve for amortization	122,619.26	332,171.17
		19,496,454.54

GOODWILL (Carried on books of subsidiaries in total amount of \$2,792,158.27).. 1.00

DEFERRED CHARGES:

Unexpired insurance premiums, unamortized mortgage expense, inventory of supplies, prepaid expenses, etc.	363,672.48
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NOTE "A": Current notes receivable of \$117,764.52, and other notes of \$16,338.14 due subsequently to January 31, 1937 included under caption of other assets, are insured under provisions of Title I of National Housing Act and secured by retention of title on goods sold.

NOTE "B": Includes \$65,000.00 due to City Stores Company which has been subordinated by that company to general creditors of Goerke-Kirch Company.

NOTE "C": Valued at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation, (except Kaufman-Strauss Company where furniture, fixtures, improvements to leased building, etc., are included at sound value as determined in January, 1936, by The American Appraisal Company).

NOTE "D": The outstanding shares include scrip and shares required to complete exchange of stock issued under prior capitalization.

NOTE "E": Including \$2,935.00 reserved for common stock held in treasury.

NOTE "F": A subsidiary company is defendant in several damage suits, with respect to which counsel for the company advised that, in their opinion, losses if any that may result from such suits will not exceed \$1,500.00.

NOTE "G": At January 31, 1936 City Stores Company was guarantor of a loan of \$30,000.00 by Goerke-Kirch Company (in liquidation—not consolidated).

NOTE "H": During the year Maison Blanche Realty Company obtained a reduction from former mortgage amortization requirements and release of previously extended amortization payments, in consideration of reduction during past year in principal of mortgage and agreement for future installation of improvements.

NOTE "I": Merchandise in transit to a subsidiary company, at January 31, 1936 amounting to \$153,447.66 is not included in inventories nor accounts payable in the above consolidated balance sheet.

NOTE "J": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

\$33,952,981.32

CITY AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1936

LIABILITIES

CURRENT:

Notes payable:

Banks—for borrowed money \$ 455,000.00
 For store fixtures and equipment 636.00 \$ 455,636.00

Accounts payable (Note I) 2,015,971.04

Accrued accounts:

Interest on mortgages, taxes, salaries, wages, etc., including federal and state income taxes 555,857.70
 Interest on funded debt 130,000.00 685,857.70 \$ 3,157,464.74

OBLIGATIONS FOR NEW BUILDING AND FIXTURES:

Notes payable—banks 732,000.00
 Accounts payable
 Construction of building, fixtures, etc. 277,950.88
 Expenses 26,544.50
 Deferred interest on mortgage 18,900.00 323,395.38 1,055,395.38

DEFERRED PAVING ASSESSMENT 2,888.50

MORTGAGES PAYABLE BY SUBSIDIARY COMPANIES:

(\$50,000.00 payable during fiscal year ending January 31, 1937) 9,425,000.00

FUNDED DEBT:

Ten-year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944 3,500,000.00
 Ten-year 6% General Collateral Convertible Notes—due October 1, 1944 3,000,000.00 6,500,000.00

RESERVES:

For redemption of trading stamps, contingencies, etc. 717,655.02

DEFERRED INCOME 16,297.72

MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par 4,337,253.00
 Accrued undeclared dividends to January 31, 1936 984,332.30 5,321,585.30

Common stock—subsidiary companies 319,562.00
 Surplus applicable thereto 116,195.59 435,757.59 5,757,342.89

CAPITAL AND SURPLUS:

CAPITAL STOCK:

Class "A" Stock 6% cumulative—par value \$5.00 per share—authorized and unissued 700,000 shares (all reserved for conversion of Ten-year 6% Lit Stock Collateral Convertible Notes)

Common stock—par value \$5.00 per share:

Authorized 1,900,000 shs.

Less: Reserved for conversion of

Ten-year 6% General Collateral Convertible Notes 600,000 shs.

In treasury 587 "

Unissued and available for general corporate purposes.... 89,957-8/12 " 690,544-8/12 "

Outstanding (Note D) 1,209,455-4/12 " 6,047,276.66

CAPITAL SURPLUS 1,058,257.48

EARNED SURPLUS—Since February 1, 1935—(Note E) 215,402.93 1,273,660.41 7,320,937.07

\$33,952,981.32

CITY STORES COMPANY, NEW YORK CITY and Subsidiary Companies

COMPARATIVE CONSOLIDATED INCOME AND EXPENSES

For the three fiscal years ended January 31, 1936

	Year ended January 31, 1936	Year ended January 31, 1935	Year ended January 31, 1934
Net sales (including sales of leased departments).....	\$33,557,665.40	\$32,088,320.59	\$29,524,559.00
Cost of goods sold	22,013,055.32	20,985,456.12	18,887,161.57
GROSS PROFIT	11,544,610.08	11,102,864.47	10,637,397.43
Realized gross profit in installment contracts	—o—	—o—	27,451.43
TOTAL GROSS PROFIT	11,544,610.08	11,102,864.47	10,664,848.86
Selling, administrative and general expenses	9,997,211.74	9,934,772.25	9,764,036.21
	1,547,398.34	1,168,092.22	900,812.65
OTHER INCOME:			
Rentals	184,629.65	187,267.75	201,539.13
Interest	295,817.39	161,750.09	144,882.80
Discount earned on expense invoices	36,210.61	30,444.98	36,546.46
Dividends	19,197.00	22,281.00	11,105.10
Miscellaneous	76,658.98	66,828.22	90,503.71
TOTAL OTHER INCOME	612,513.63	468,572.04	484,577.20
	2,159,911.97	1,636,664.26	1,385,389.85
OTHER CHARGES:			
Interest on mortgages and notes payable, etc., of subsidiary companies	452,975.20	506,141.47	524,061.10
Provision for doubtful accounts; bad debts written off and sundry charges (net)	300,114.60	207,775.66	253,881.85
Provision for depreciation and amortization	398,696.51	461,907.99	401,021.72
Federal and state income taxes of subsidiaries	121,695.67	38,235.55	3,765.99
TOTAL OTHER CHARGES	1,273,481.98	1,214,060.67	1,182,730.66
PROFIT FOR PERIOD	886,429.99	422,603.59	202,659.19
DEDUCT			
Amount of net profit of subsidiaries applicable to Preferred and Common stocks of subsidiary companies not owned by City Stores Company	193,092.76	130,233.06	72,376.00
PROFIT APPLICABLE TO CITY STORES COMPANY BEFORE DEDUCTING FUNDED DEBT CHARGES	693,337.23	292,370.53	130,283.19
DEDUCT			
Interest and charges on Parent Company's funded debt....	*390,000.00	816,699.10	881,094.35
PROFIT OR LOSS FOR PERIOD—(Note A)	\$ 303,337.23	\$ 524,328.57	\$ 750,811.16

*Represents interest from February 1, 1935 to January 31, 1936 on principal amount of \$6,500,000.00 of funded debt outstanding after reorganization. Interest on \$4,805,628.88 of funded indebtedness liquidated under Plan of Reorganization, from February 1, 1935 to April 15, 1935 (the date of which such funded debt was retired under the Plan) has been charged to capital surplus arising from such reorganization.

NOTE "A": The above figures with respect to fiscal year ended January 31, 1936 do not include the operations of Goerke-Kirch Company in liquidation; the loss of \$96,785.99 of this subsidiary for the fiscal year ended January 31, 1936 was charged to a reserve created out of capital surplus arising under Plan of Reorganization. The above figures for the fiscal years ended January 31, 1935 and 1934 include losses for that subsidiary in the amounts of \$75,640.99 and \$94,515.76, respectively.

CITY STORES COMPANY, NEW YORK CITY and Subsidiary Companies

ANALYSIS OF CONSOLIDATED EARNED SURPLUS

For the fiscal year ended January 31, 1936

BALANCE—January 31, 1935 (after adjustment in connection with re-organization)		\$ —0—
Consolidated net profit applicable to City Stores Company for the fiscal year ended January 31, 1936 (Note A)	\$ 303,337.23	
Restoring to asset account value of fixtures transferred from temporary premises to new building of Loveman, Joseph & Loeb—previously written off (less depreciation adjustment)	16,569.10	319,906.33
DEDUCT		
Writing off balance of accounts in closed banks by two subsidiary companies	49,237.42	
Write down of furniture and fixtures, delivery equipment and improvements to leased buildings of a subsidiary company to sound value as determined in January, 1936, by The American Appraisal Company....	33,133.56	
Increase in minority interest applicable to Preferred Stocks of subsidiary companies for accumulated unearned and undeclared dividends—net	22,132.42	104,503.40
EARNED SURPLUS—January 31, 1936		<u>\$ 215,402.93</u>

NOTE "A": The above consolidated net profit does not include loss of Goerke-Kirch Company, in liquidation, investment in which has been written down during the year to the nominal sum of \$1.00 against parent company's capital surplus arising from reorganization.

Exhibit 5

ANALYSIS OF CONSOLIDATED CAPITAL SURPLUS

For the fiscal year ended January 31, 1936

BALANCE—January 31, 1935 (after adjustment in connection with re-organization)		\$1,325,809.19
DEDUCTIONS		
Providing reserve to reduce investment in Goerke-Kirch Company (in liquidation) to the nominal value of \$1.00	\$198,730.62	
Excess of expenditures over provision made for reorganization expenses at January 31, 1935	8,450.16	
Interest from February 1, 1935 to April 15, 1935 on old funded indebtedness of parent company amounting to \$4,805,628.88 which was liquidated under Plan of Reorganization	60,070.36	
From change in minority interest during year—net.....	430.57	\$ 267,681.71
Less: Discount on preferred stock purchased by subsidiary during year.....	130.00	267,551.71
CAPITAL SURPLUS—January 31, 1936		<u>\$1,058,257.48</u>

LIT BROTHERS, PHILADELPHIA, P

CONSOLIDATED

January

A S S E T S

CURRENT:

Cash	\$ 703,441.23	
Accounts receivable—Customers (including \$1,789,883.04 of installment accounts) <i>Less</i> : Reserve of \$136,465.60 for doubtful	4,723,019.92	
Accounts receivable—other	25,000.00	
Merchandise inventories (at retail less accumulated departmental mark-up)	2,449,482.78	
Marketable securities—(not in excess of market)	47,482.62	\$ 7,948,426.55

OTHER ASSETS:

Investment in affiliated company (333-4/12 shares common stock of City Stores Company at cost)	1,250.00	
Sundry investments— <i>Less</i> : Reserve of \$196,948.33	135,236.03	
Sundry notes and accounts receivable, cash in closed banks, etc.— <i>Less</i> : Reserve of \$314,853.87	73,163.65	209,649.68

PERMANENT:

Land, buildings, fixtures, equipment, etc.—(Note B)	16,721,991.57	
<i>Less</i> : Reserve for depreciation	3,102,891.97	13,619,099.60

GOOD WILL—Value on books		1,046,783.23
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DEFERRED CHARGES:

Unamortized mortgage expenses, unexpired insurance premiums, prepaid expenses and supplies		238,318.74
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NOTE "A": Accumulative unpaid and undeclared dividends at January 31, 1936 amounted to \$2,115,675.90, of which \$1,292,580.00 is applicable to Preferred Stock owned by City Stores Company.

NOTE "B": Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "C": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "D": No contingent liabilities reported.

\$23,062,277.80

A., AND SUBSIDIARY COMPANIES

BALANCE SHEET

1, 1936

LIABILITIES

CURRENT:

Accounts payable—trade \$ 1,162,023.64

Accrued accounts, including federal income tax 362,106.52

1,524,130.16

AFFILIATED COMPANY:

Account payable 6,600.39 \$ 1,530,730.55

RESERVE FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES.... 441,778.38

MORTGAGES ON LAND AND BUILDINGS:

Due serially to 1945 (next installment due 1937—\$134,000.00) 6,725,000.00

CAPITAL AND SURPLUS:

CAPITAL STOCK:

Preferred 6% Cumulative (\$100.00 par value) (Note A)

Authorized and issued \$12,000,000.00

Less: Held in treasury 2,159,647.00 9,840,353.00

Common (No par value)

1,000,000 shares authorized and issued—less 855 shares held in

treasury 999,145.00

10,839,498.00

SURPLUS—(Note A)

Capital surplus 2,500.00

Earned surplus 3,522,770.87 3,525,270.87 14,364,768.87

\$23,062,277.80

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.

And one of its Subsidiary Companies—Homecraft Finance Corporation

CONSOLIDATED BALANCE SHEET

January 31, 1936

A S S E T S			
CURRENT:			
Cash	\$ 105,653.40		
Notes receivable—customers (Note A)	83,376.74		
Accounts receivable—customers (including \$245,598.02 of installment accounts)— <i>Less</i> : Reserve of \$46,918.82 for doubtful	652,209.64		
Account receivable—other	25,000.00		
Merchandise inventories (at retail less accumulated departmental mark-up and reserve of \$40,000.00)—(Note B)	721,973.85	\$1,588,213.63	
AFFILIATED COMPANIES:			
Accounts receivable		46,354.25	
OTHER ASSETS:			
Investment in affiliated company—book carrying value (93-9/12 shares common stock of City Stores Company)	468.75		
Investments in other companies	42,000.00		
Sundry accounts receivable and advances	43,102.92	85,571.67	
INVESTMENTS IN SUBSIDIARY COMPANIES:			
7,085 shares of common stock of Maison Blanche Realty Company (representing 99.43% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets of this subsidiary company's assets at January 31, 1936 as shown by its balance sheet amounts to \$1,129,814.71)	894,575.00		
5,000 shares of preferred and 25,000 shares of common stock of B. Lowenstein & Bros., Inc. (its entire outstanding capital stock)—at cost (Net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1936 amount to \$1,380,019.06)	2,074,411.38	2,968,986.38	
PERMANENT: (Note C)			
Furniture, fixtures and equipment	\$581,965.42		
<i>Less</i> : Reserve for depreciation	325,057.68	256,907.74	
Improvements to leased property	198,314.04		
<i>Less</i> : Reserve for amortization	90,503.88	107,810.16	364,717.90
GOOD WILL—Value on books			376,031.24
DEFERRED CHARGES:			
Prepaid expenses, inventory of supplies and unexpired insurance premiums		44,293.83	
		<u>\$5,474,168.90</u>	

L I A B I L I T I E S

CURRENT:			
Accounts payable—(Note B)	\$ 224,788.79		
Accrued accounts, including estimated federal income tax	60,281.29		
	285,070.08		
SUBSIDIARY COMPANY:			
Account payable—Maison Blanche Realty Company	22,664.45	\$ 307,734.53	
RESERVE FOR INSURANCE, ETC.		8,340.52	
DEFERRED INCOME		10,213.75	
CAPITAL AND SURPLUS:			
CAPITAL STOCK:			
Common stock (Par Value \$50.00)			
Authorized 120,000 shares—80,000 issued	4,000,000.00		
SURPLUS:			
Capital	\$250,000.00		
Earned	897,880.10	1,147,880.10	5,147,880.10
		<u>\$5,474,168.90</u>	

NOTE "A": Held by Homecraft Finance Corporation, insured under provisions of Title I of National Housing Act and secured by retention of title on goods sold.

NOTE "B": Merchandise in transit at January 31, 1936 amounting to \$153,447.66 is not included in inventories nor accounts payable in the above balance sheet.

NOTE "C": Valued at cost paid for in cash at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "D": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "E": No contingent liabilities reported.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

January 31, 1936

ASSETS

CURRENT:		
Cash	\$ 16,864.14	
Accounts and notes receivable—tenants— <i>Less</i> : Reserve of \$10,000.00 for doubtful	19,094.96	\$ 35,959.10
AFFILIATED COMPANY:		
Account receivable—Maison Blanche Company		22,664.45
OTHER ASSETS:		
Sundry accounts receivable and advances		1,814.43
PERMANENT:		
Land, buildings, fixtures, equipment, etc.—(Note C)	3,345,497.08	
<i>Less</i> : Reserve for depreciation	721,002.38	2,624,494.70
DEFERRED CHARGES:		
Unexpired insurance premiums and prepaid expenses		9,159.81
		<u>\$2,694,092.49</u>

LIABILITIES

CURRENT:		
Accounts payable	\$ 12,162.59	
Accrued interest on mortgage, estimated federal income tax, etc.	42,847.65	\$ 55,010.24
FIRST MORTGAGE 5% NOTES:		
Maturing \$25,000.00 on May 1, 1936 and November 1, 1936 and semi-annually thereafter to November 1, 1943; balance due May 1, 1944—(Note A)		1,500,000.00
DEFERRED PAVING ASSESSMENT:		
Payable in four equal annual installments		2,888.50
CAPITAL AND SURPLUS:		
CAPITAL STOCK:		
Common stock:		
Authorized	\$750,000.00	
<i>Less</i> : In treasury	37,500.00	712,500.00
SURPLUS:		
Earned—(Note B)	423,693.75	1,136,193.75
		<u>\$2,694,092.49</u>

NOTE "A": Reduction from former amortization requirements and release of previously extended mortgage amortization payments, obtained in consideration of reduction during past year in principal of mortgage, and agreement for future installation of improvements.

NOTE "B": Including \$37,500.00 reserved for common stock held in treasury.

NOTE "C": Valued at cost paid for in cash at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "D": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "E": No contingent liabilities reported.

LOVEMAN, JOSEPH & LOEB,

And its Subsidiary Company, Home

CONSOLIDATED

January

ASSETS

CURRENT:

Cash	\$ 76,630.57	
Notes receivable—customers (as to \$10,840.34 see Note A)— <i>Less</i> : Reserve of \$200.00 for doubtful	12,835.54	
Accounts receivable—customers (including \$128,693.05 of installment accounts)— <i>Less</i> : Reserve of \$25,537.08 for doubtful	433,239.64	
Local and school warrants	2,027.08	
Merchandise inventories (at retail less accumulated departmental mark-up and reserve of \$13,000.00)	538,884.59	
Marketable securities—at cost (not in excess of market)	1,563.47	\$1,065,180.89

AFFILIATED COMPANIES:

Accounts receivable	4,799.49
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FUNDS SEGREGATED FOR NEW BUILDING AND FIXTURE OBLIGATIONS:

Cash on deposit	192,706.88	
Cash proceeds arising from fire loss of old building and held by mortgagee as replacement fund	340,923.09	
Cash to be received from mortgagee for increase in first mortgage	360,000.00	893,629.97

OTHER ASSETS:

Cash surrender value of life insurance	28,076.44	
Investments in other companies— <i>Less</i> : Reserve of \$6,799.35	3,801.12	
Notes receivable—customers (as to \$16,338.14 due subsequently to January 31, 1937 see Note A)— <i>Less</i> : Reserve of \$600.00	16,973.73	
Sundry notes and accounts receivable, etc. (partly secured)	54,053.04	
Investment in affiliated company—book carrying value (30-8/12 shares common stock of City Stores Company)	153.33	103,057.66

PERMANENT: (Note B)

Land, buildings, building equipment, furniture, fixtures, etc.	2,163,633.95	
<i>Less</i> : Reserve for depreciation	33,262.85	2,130,371.10

GOOD WILL—Value on books	800,000.00
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DEFERRED CHARGES:

Inventory of supplies, unexpired insurance premiums, prepaid expenses, etc.	21,359.54
	<u>\$5,018,398.65</u>

NOTE "A": Held by Home Furnishing Finance Corporation, insured under provisions of Title I of National Housing Act and secured by retention of title on goods sold.

NOTE "B": Land valued at cost paid for in capital stock at time of organization; building, fixtures and equipment valued at cost, less subsequent accruing depreciation.

NOTE "C": Excluding charge of \$733,300.00 for preferred stock held in treasury.

BIRMINGHAM, ALABAMA

Furnishing Finance Corporation

BALANCE SHEET

January 31, 1936

LIABILITIES

CURRENT:

Notes payable—banks	\$ 265,000.00
Accounts payable	237,822.46
Accrued accounts	32,092.79

534,915.25

AFFILIATED COMPANIES:

Accounts payable	3,007.49	\$ 537,922.74
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OBLIGATIONS FOR NEW BUILDING AND FIXTURES:

Notes payable—banks	732,000.00	
Accounts payable—Construction of building, fixtures, etc. \$277,950.88		
Expenses	26,544.50	
Deferred interest on mortgage	18,900.00	323,395.38
		1,055,395.38

FIRST MORTGAGE—5%:

On land, buildings and fixtures	1,200,000.00
Due February, 1943; with semi-annual installment payments of \$24,000.00 each beginning February, 1938.	

RESERVES:

For contingencies, pensions, etc.	262,439.80
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DEFERRED INCOME	3,379.54
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CAPITAL AND SURPLUS:

CAPITAL STOCK:

Preferred stock 7% cumulative— \$100.00 par value—Authorized and issued (Note D)	\$1,000,000.00		
Less: In treasury	733,300.00	266,700.00	
Common stock — \$100.00 par value—Authorized	2,000,000.00		
Less: Unissued	378,000.00	1,622,000.00	1,888,700.00

SURPLUS: (Notes C and D)

Capital	130.00		
Earned	70,431.19	70,561.19	1,959,261.19
			<u>\$5,018,398.65</u>

NOTE "D": Accumulative unpaid and undeclared dividends at January 31, 1936 on the 7% cumulative preferred stock amounted to \$76,231.75.

NOTE "E": The company was defendant in several damage suits, with respect to which counsel for the company advised us that in their opinion, losses, if any, that may result from such suits will not exceed \$1,500.00.

NOTE "F": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.

And its Subsidiary Company, Homecraft Finance Corporation of Memphis

CONSOLIDATED BALANCE SHEET

January 31, 1936

A S S E T S			
CURRENT:			
Cash	\$	37,942.82	
Notes receivable—customers—(Note A)		11,143.47	
Accounts receivable—customers (including \$252,385.90 of installment accounts) Less: Reserve of \$37,309.09 for doubtful		545,925.29	
Merchandise inventories (at retail less accumulated departmental mark-up and reserve of \$20,000.00)		625,628.90	\$1,220,640.48
AFFILIATED COMPANIES:			
Note receivable and accrued interest		10,086.10	
Account receivable		2,442.90	12,529.00
OTHER ASSETS:			
Investments in other companies—Less: Reserve of \$2,500.00		3,747.33	
Sundry notes and accounts receivable, and restricted bank deposit		18,151.48	21,898.81
PERMANENT: (Note B)			
Store and office fixtures and equipment	\$819,088.35		
Less: Reserve for depreciation	519,509.28	299,579.07	
Improvements to leased properties	118,308.33		
Less: Reserve for amortization	32,115.38	86,192.95	385,772.02
GOOD WILL—Value on books			150,000.00
DEFERRED CHARGES:			
Inventory of supplies, unexpired insurance premiums, prepaid expenses, etc.			33,697.56
			<u>\$1,824,537.87</u>
L I A B I L I T I E S			
CURRENT:			
Note payable—bank	\$	50,000.00	
Accounts payable		205,189.08	
Accrued accounts, including federal income tax		32,730.47	
		287,919.55	
AFFILIATED COMPANIES:			
Accounts payable		93.13	\$ 288,012.68
RESERVES FOR INSURANCE, ETC.			5,096.32
DEFERRED INCOME			1,409.81
CAPITAL AND SURPLUS—DEFICIT:			
CAPITAL STOCK:			
Preferred 8% cumulative—\$100.00 par value (Note C)			
Authorized	\$600,000.00		
Less: Unissued	100,000.00	\$ 500,000.00	
Common stock—no par value			
25,000 shares authorized and issued	1,500,000.00	2,000,000.00	
DEFICIT: (Note C)		469,980.94	1,530,019.06
			<u>\$1,824,537.87</u>

NOTE "A": Held by Homecraft Finance Corporation of Memphis, insured under provisions of Title I of National Housing Act and secured by retention of title on goods sold.

NOTE "B": Valued at cost paid for in cash at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "C": Dividends on preferred stock (entirely owned by Maison Blanche Company, its parent company) have been paid to January 1, 1924.

NOTE "D": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "E": No contingent liabilities reported.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.

And its Subsidiary Company, Homecraft Finance Corporation of Louisville

CONSOLIDATED BALANCE SHEET

January 31, 1936

ASSETS			
CURRENT:			
Cash	\$	33,365.00	
Notes receivable—customers (Note A)		12,403.97	
Accounts receivable—customers (including \$76,311.96 of installment accounts) <i>Less</i> : Reserve of \$11,841.87 for doubtful		284,144.63	
Merchandise inventories (at retail less accumulated departmental mark-up)		362,552.12	\$ 692,465.72
AFFILIATED COMPANY:			
Account receivable			2,164.89
OTHER ASSETS:			
Investments in other companies		1,293.00	
Sundry accounts receivable and advances		4,281.44	5,574.44
PERMANENT:			
Real estate and building—at cost	\$1,424.05		
<i>Less</i> : Reserve for depreciation	54.90	1,369.15	
Furniture and fixtures, delivery equipment, etc. (Note B)		178,665.82	
Improvements to leased building (Note B)		138,168.06	318,203.03
GOOD WILL—Value on books			419,343.80
DEFERRED CHARGES:			
Inventory of supplies, unexpired insurance premiums and prepaid expenses			16,818.00
			<u>\$1,454,569.88</u>

LIABILITIES			
CURRENT:			
Notes payable—bank	\$	75,000.00	
Notes payable—equipment purchased		636.00	
Accounts payable		170,404.94	
Accrued accounts, including federal income tax		12,922.52	
		258,963.46	
AFFILIATED COMPANIES:			
Note and accounts payable		11,282.35	\$ 270,245.81
DEFERRED INCOME			
			1,294.62
CAPITAL AND SURPLUS—DEFICIT:			
CAPITAL STOCK:			
Preferred 7% cumulative—\$100.00 par value (Note E):			
Authorized	\$750,000.00		
<i>Less</i> : Unissued	\$247,400.00		
Retired	3,700.00	251,100.00	498,900.00
Common—authorized and issued		1,000,000.00	
		1,498,900.00	
DEFICIT (Notes C, D and E)		315,870.55	1,183,029.45
			<u>\$1,454,569.88</u>

NOTE "A": Held by Homecraft Finance Corporation, insured under provisions of Title I of National Housing Act and secured by retention of title of goods sold.

NOTE "B": Sound value as determined in January, 1936 by The American Appraisal Company.

NOTE "C": Excluding charge of \$3,700.00 for preferred stock held in treasury.

NOTE "D": After deducting \$11,404.15 from current year's profit for the cost of complete rearrangement of store fixtures and after writing down book value of furniture, fixtures, delivery equipment, improvements to leased buildings, etc. by the net sum of \$33,133.56 to sound value as determined in January, 1936 by The American Appraisal Company.

NOTE "E": Accumulative unpaid and undeclared dividends at January 31, 1936 on the 7% cumulative preferred stock amounted to \$174,615.00 of which \$89,810.00 is applicable to preferred shares owned by City Stores Company.

NOTE "F": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "G": No contingent liabilities reported.

GOERKE-KIRCH COMPANY, ELIZABETH, N. J.

(In Liquidation—Not Consolidated)

BALANCE SHEET

January 31, 1936

A S S E T S			
CURRENT:			
Cash	\$ 17,471.53		
Accounts receivable—customers (including \$111,040.68 of installment accounts) <i>Less</i> : Reserve of \$32,577.00	113,538.76		
Merchandise inventories (at retail, less accumulated departmental mark-up)	134,752.17	\$265,762.46	
OTHER ASSETS:			
Sundry accounts receivable— <i>Less</i> : Reserve of \$21,322.77		282.29	
PERMANENT (Note A):			
Store and office fixtures and equipment	\$163,985.64		
<i>Less</i> : Reserve for depreciation	98,290.92	65,694.72	
Improvements to leased property	19,639.41		
<i>Less</i> : Reserve for amortization	7,740.27	11,899.14	77,593.86
DEFERRED CHARGES:			
Unexpired insurance premiums and supplies		9,853.53	
		<u>\$353,492.14</u>	
L I A B I L I T I E S			
CURRENT:			
Notes payable	\$ 37,000.00		
Accounts payable	74,043.36		
Accrued accounts	14,502.69		
	125,546.05		
AFFILIATED COMPANIES:			
Notes and accounts payable (Note B)	126,000.46	\$251,546.51	
SPECIAL RESERVE—(Note C)			
		101,944.63	
CAPITAL AND SURPLUS—DEFICIT:			
CAPITAL STOCK:			
Common stock—no par value			
Authorized and issued 1,000 shares	541,400.00		
SURPLUS—DEFICIT:			
Deficit	\$558,245.64		
Capital surplus	16,846.64	541,399.00	1.00
		<u>\$353,492.14</u>	

NOTE "A": Valued on basis of appraisal at February 19, 1927, plus subsequent additions at cost, less accruing depreciation.

NOTE "B": Included \$65,000.00 due to City Stores Company which has been subordinated by that company to general creditors.

NOTE "C": The above Company is in liquidation, and this reserve has been arbitrarily provided to reduce the Company's net capital account to the nominal sum of \$1.00.

NOTE "D": No contingent liabilities reported.

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

January 31, 1936

A S S E T S

CURRENT:

Cash	\$18,230.82	
Merchandise inventory	3,005.46	\$21,236.28

AFFILIATED COMPANIES:

Investments (at cost):

1 share Common Stock of City Stores Company and scrip \$ 5.60	
4 shares Common Stock of Maison Blanche Company..... 640.00	645.60

Accounts receivable	48,713.83	49,359.43
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PERMANENT:

Furniture and fixtures (Note A)	19,807.12	
Less: Reserve for depreciation	16,010.93	3,796.19

DEFERRED CHARGES:

Prepaid taxes		25.00
		<u>\$74,416.90</u>

L I A B I L I T I E S

CURRENT:

Accounts payable	\$3,167.04	
Accrued accounts	12,485.93	
	<u>15,652.97</u>	

AFFILIATED COMPANIES:

Accounts payable	28,726.89	44,379.86
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CAPITAL AND SURPLUS:

CAPITAL STOCK:

Common stock—par value \$100.00—authorized 1,250 shares—250 shares issued	25,000.00	
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SURPLUS	5,037.04	30,037.04
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\$74,416.90

NOTE "A": Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "B": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "C": No contingent liabilities reported.

KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

January 31, 1936

ASSETS

AFFILIATED COMPANY:

Account receivable	\$ 597.44
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PERMANENT:

Land—(Note A)	50,000.00
	<u>\$50,597.44</u>

LIABILITIES

ACCRUED ACCOUNTS	\$ 390.53
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AFFILIATED COMPANIES:

Accounts payable	2,214.89
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CAPITAL AND SURPLUS—DEFICIT:

CAPITAL STOCK:

Common stock—\$100.00 par value	
Authorized and issued	\$50,000.00

DEFICIT:

Balance January 31, 1935	\$2,007.98		
Loss for fiscal year ended January 31, 1936—(Note B)	<u>—0—</u>	<u>2,007.98</u>	<u>47,992.02</u>
			<u>\$50,597.44</u>

NOTE "A": Valued at cost paid for in cash.

NOTE "B": In accordance with agreement, loss of \$884.19 has been assumed by Kaufman-Straus Company.

NOTE "C": This balance sheet is subject to adjustment, if any, upon final determination of liability for federal income taxes.

NOTE "D": No contingent liabilities reported.

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